

REORGANIZATION OF THE Mt. Diablo Health Care District

Mt. Diablo Health Care District

The Early Years

- ❖ Originally formed as Concord Hospital District (1940s) to provide hospital services in a rural area
- ❖ District grew to include other cities and communities (2012 population: 205,000)
- ❖ In 1994, renamed *Mt. Diablo Health Care District* (MDHCD) pursuant to State law

Transfer of District Assets

- ▶ In 1996, MDHCD faced bankruptcy, and transferred its assets to John Muir Health (JMHealth) thru a voter approved initiative
- ▶ District and JMHealth entered into a Community Benefit Agreement (CBA) which also transferred hospital operations to JMHealth
- ▶ CBA requires JMHealth to contribute \$1 million annually to fund community health needs
- ▶ MDHCD participates in monitoring the CBA, allocating the community health fund as part of a 10-member Board, and other community programs

Fiscal and Governance Challenges

- ▶ MDHCD continued to face fiscal challenges due to limited resources (property tax) and extraordinary administrative, legal and overhead costs including unfunded health benefit liabilities for Board members
- ▶ From 2000–2011, approximately 17% of District expenditures funded services/programs
- ▶ MDHCD was plagued by governance issues including a dysfunctional Board, uncontested elections, lack of transparency, Brown Act violations, embezzlement by a Board member

Call for Dissolution

- ▶ District dissolution was recommended in four Grand Jury reports and by the Contra Costa Taxpayers Association
- ▶ 2007 LAFCO Municipal Service Review (MSR) identified dissolution as an option, but was not recommended
- ▶ MSR provided recommendations to refocus the District on services and meeting community health care needs
- ▶ 2011 LAFCO special study identified and recommended dissolution

Reorganization: A Different Path

- ▶ The LAFCO special study identified several governance options for MDHCD: dissolution, consolidation, and status quo – each with its own unique set of challenges
- ▶ The option to “reorganize” the District was suggested late in the process and was not fully analyzed in the LAFCO special study
- ▶ The City of Concord applied to LAFCO to reorganize the MDHCD

A Happy Ending

- ▶ Reorganization involved reducing the size of MDHCD (i.e., cities of Concord and Pleasant Hill) and establishing the District as a subsidiary to the City of Concord
- ▶ Proved to be a win-win solution as it maintained MDHCD as a separate legal entity, preserved the \$1 million community health fund and property tax dollars to be used for critical health needs, preserved the CBA with JMH, avoided a costly election, addressed the unfunded health care benefits liability, and minimized legal risk to LAFCO

MDHCD TODAY

- ▶ MDHCD has successfully transitioned into a City of Concord agency
- ▶ Concord and Pleasant Hill representatives sit on the 10-member Board to allocate the \$1 million community benefit funds
- ▶ The “new” MDHCD recently completed its first successful community grant cycle under the stewardship of the City of Concord
- ▶ MDHCD is now an effective, efficient, transparent agency that is helping to meet critical health care needs in the community

Lessons Learned

- ▶ Keep your eye on the ball
 - ▶ Willing partners are important
 - ▶ Special study should identify all possible options
 - ▶ Be flexible
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